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Economists: No end in sight for R.I.'s fiscal woes

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PROVIDENCE -- If there was any good news to come out of the State House this morning, it's that Rhode Island isn't the only New England state in recession.

"Misery loves company. And Rhode Island has plenty of it," said Andres Carbacho-Burgos, an economist with Moody's Economy.com and one of a handful of independent analysts who testified during this morning's opening day of the fall Revenue & Caseload Estimating Conference.

At the spring meeting of the same group, Moody's noted that Rhode Island was the only New England state in recession.

"You could say Rhode Island has sort of set the trend for the United States," Carbacho-Burgos said.

Indeed, the economist said that Maine joins Rhode Island in recession status. And he expects Connecticut's economy to reach that level by the end of the year. Even Massachusetts, which is currently listed as having an economy in "expansion," is expected to be "at risk" in the coming months, Carbacho-Burgos said.

But today's testimony offered few bright spots for state officials trying to determine how much money the State of Rhode Island can spend in the coming fiscal year.

"The worst is not over by any means," said Mike Lynch, an analyst with the firm Global Insight. "We see little cause for any optimism."

Global Insight predicts that Rhode Island's unemployment rate will exceed 7 percent through the end of next year, among the highest in the nation. The Ocean State's real estate markets will "continue their period of free-fall well into 2009." And Global Insight predicts it will take another five years before Rhode Island sees employment levels matching "pre-2007 peak employment levels."

To make matters worse, the economists who testified this morning acknowledged that their forecasts may be too rosy, given that they were based on data that's almost a month old.

The firms agreed to return to the House Finance Committee room in the State House basement -- the site of today's hearing -- on Nov. 7 to provide updated reports.

The Revenue & Caseload Estimating Conference is really a series of meetings in which the fiscal leaders of the House, Senate and governor's budget office convene to determine the economic health of the state.

The bi-annual tradition begins with economic forecasts. But state officials will hear testimony from several other players as well over the next two weeks, including those with information on tax credit programs and social welfare programs.

"They've indicated that we have obvious need to be concerned," Kevin Madigan, the interim head of the Senate fiscal office, said of today's testimony. "We continue to drop in a lot of indicators with no real good sense of when - they mentioned hitting the bottom frequently - when that will happen."

The weakened state economy will ultimately mean there is less money for social service programs, the state's personnel costs, infrastructure projects, and state-sponsored services like public safety, public transportation and the Department of Motor Vehicles.

"Whatever the revenues turn out to be, the budget pressure will be immense," said Russell Dannecker, the recently-retired Senate fiscal advisor who attended today's proceedings representing Rhode Island College's Poverty Institute. "There are only so many places they can cut."

Representatives from the business-backed Rhode Island Public Expenditure Council were also in attendance. He acknowledged there would be increased pressure in state government to look at tax increases during this weak economic period.

"How do you increase taxes when you have businesses that are shrinking?" asked John Simmons, RIPEC's executive director. "What would that do to the economy?"